

Tyman

Q3 trading update

Momentum accelerates in Q3

After COVID-19 affected Q2/H1 trading, recovering market conditions in Q3 led to Tyman achieving +3% like-for-like revenue growth in the quarter (and flat in reported terms). In addition, net debt continues to track down. With improved momentum going into Q4, we have reintroduced earnings estimates, which show a c 13% y-o-y reduction in FY20 EPS followed by a 9% rebound in FY21. We have factored in dividends resuming next year, although management is to consider a modest FY20 final payout depending on prospects at the turn of the year.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/18	591.5	72.7	27.5	12.0	10.2	4.3
12/19	613.7	71.0	27.4	3.9	10.3	1.4
12/20e	561.3	62.5	23.9	0.0	11.7	N/A
12/21e	587.4	68.1	26.1	10.0	10.8	3.6

Note: *PBT and EPS (fully diluted) are normalised, as defined by Tyman, excluding intangible amortisation and exceptional items. FY19 DPS is the interim dividend only as no final dividend payment was paid.

Strong end to Q3 results in y-o-y revenue growth

Q3 trading has been 'significantly' better than previous management expectations, with a 3% uplift in I-f-I revenues over this period. This comprised two flat months at group level and ended with good progress across all three geographic reporting divisions in September, resulting in a +9% I-f-I group revenue increase in that month. By region, the Q3 (ytd) revenue I-f-I's are now: North America +1% (-8%), UK/Ireland +3% (-17%) and International +9% (-12%). Improved operational performance and incremental new business wins in the US are both positive indicators and, with a pick-up in single-family occupancy housing starts, AmesburyTruth participated in an apparent acceleration in demand as Q3 progressed. ERA has seen stronger demand through e-commerce channels and SchlegelGiesse operated throughout its normal shutdown period during August.

Net debt trending down

Net debt (pre-IFRS 16) was £161m at the [interim stage](#); an updated figure was not provided but the multiple to EBITDA has improved from 1.8x at the end of June to 1.4x at the end of Q3 (on a trailing 12month basis). Underlying profit improvement, further working capital inflows and deferred capex are all consistent with a sharp business acceleration during Q3. Moreover, management anticipates a further reduction in this multiple by year end. Our updated model projects end-FY20 net debt of £119m (or c 1.3x EBITDA for the year).

Valuation: Rebuilding after share price rally

Management comments now infer reported FY20 revenue of c £560m (versus c £416m for the first nine months) and, on our reinstated estimates, Tyman is trading on FY21e P/E and EV/EBITDA (adjusted for pensions cash) multiples of 10.8x and 6.8x, respectively. The share price has responded well to the latest newsflow and has substantially regained levels seen at the beginning of the year.

Construction & materials

16 October 2020

Price **281.0p**

Market cap **£553m**

US\$1.29/£

Net debt (£m) at end June 2020 (ex IFRS 16 leases £61m) 161

Shares in issue 196.8m

Free float 91%

Code TYMN

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 2.6 13.8 (1.0)

Rel (local) 1.7 8.8 (4.7)

52-week high/low 384.0p 288.0p

Business description

Tyman's product portfolio substantially addresses the residential RMI and building markets with increasing commercial sector exposure following acquisitions. It manufactures and sources window and door hardware and seals, reporting in three divisions: AmesburyTruth (North America; 63% of reported FY19 revenue), ERA (UK; 17%) and SchlegelGiesse (RoW; 20%).

Next events

FY20 ends December 2020

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Exhibit 1: Financial summary

	£'m	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS										
Revenue		350.9	353.4	457.6	522.7	591.5	613.7	561.3	587.4	602.0
Cost of Sales		(236.1)	(234.0)	(290.4)	(331.8)	(383.3)	(408.1)	(375.3)	(378.9)	(387.0)
Gross Profit		114.8	119.4	167.3	190.9	208.3	205.6	186.0	208.5	215.0
EBITDA (pre-IFRS16)		54.6	60.9	82.5	91.7	98.5	100.8	91.2	96.3	102.0
Operating Profit (Edison)		46.9	52.9	70.9	78.8	84.7	86.2	76.3	81.2	86.6
Net Interest		(4.5)	(6.0)	(6.9)	(8.0)	(10.0)	(11.9)	(9.7)	(9.0)	(8.5)
Other Finance		(2.2)	(0.6)	(0.4)	(0.8)	(1.3)	(3.5)	(2.7)	(3.0)	(3.0)
Share Based Payments		(0.9)	(1.0)	(1.0)	(2.0)	(1.1)	(0.8)	(0.8)	(0.8)	(0.8)
Intangible Amortisation		(17.8)	(19.6)	(21.7)	(22.9)	(25.8)	(23.5)	(23.5)	(23.5)	(23.5)
Exceptionals		(9.3)	(9.4)	(10.9)	(10.0)	(7.3)	(21.4)	(3.0)	(3.0)	0.0
Other		(0.3)	(0.4)	(0.5)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Profit Before Tax (Edison norm)		39.3	45.4	62.5	68.0	72.3	70.0	63.1	68.4	74.3
Profit Before Tax (Company norm)		41.6	45.4	62.1	68.3	72.7	71.0	62.5	68.1	74.0
Profit Before Tax (statutory)		11.9	16.1	29.4	34.5	38.9	24.8	36.3	41.6	50.5
Tax		(2.6)	(8.0)	(8.6)	(3.3)	(12.5)	(7.1)	(8.7)	(10.0)	(11.5)
Profit After Tax (norm)		36.8	37.3	53.8	64.7	59.8	62.9	54.4	58.3	62.8
Profit After Tax (statutory)		9.3	8.1	20.7	31.2	26.3	17.7	27.6	31.5	39.0
Average Number of Shares Outstanding (m)		167.8	168.2	173.0	177.2	191.4	194.9	195.0	195.0	195.0
EPS - Edison norm (p) FD		17.1	19.3	25.5	26.6	27.3	26.8	24.2	26.2	28.5
EPS - Company norm (p) FD		18.4	19.4	25.3	26.7	27.5	27.4	23.9	26.1	28.4
EPS - statutory (p)		5.6	4.8	12.0	17.6	13.8	9.1	14.2	16.2	20.0
Dividend per share (p)		8.0	8.8	10.5	11.3	12.0	3.9	0.0	10.0	12.0
Gross Margin (%)		32.7	33.8	36.5	36.5	35.2	33.5	33.1	35.5	35.7
EBITDA Margin (%)		15.6	17.2	18.0	17.5	16.7	16.4	16.2	16.4	16.9
Operating Margin (before GW and except.) (%)		13.4	15.0	15.5	15.1	14.3	14.1	13.6	13.8	14.4
BALANCE SHEET										
Fixed Assets		410.6	398.4	564.7	509.9	612.5	618.8	623.0	602.7	579.6
Intangible Assets		355.7	340.5	480.0	427.2	516.9	475.3	479.2	455.0	430.8
Tangible Assets		42.9	42.8	71.7	68.4	77.0	125.2	125.5	129.4	130.5
Investments		12.1	15.0	12.9	14.2	18.6	18.3	18.3	18.3	18.3
Current Assets		124.0	111.0	180.6	188.1	244.8	213.9	272.7	318.6	360.1
Stocks		47.6	46.0	70.7	75.3	105.3	88.6	81.5	97.3	99.3
Debtors		37.1	35.0	69.0	70.2	87.7	76.3	71.1	73.7	75.1
Cash		39.3	30.0	40.9	42.6	51.9	49.0	120.1	147.7	185.6
Current Liabilities		(52.3)	(44.4)	(86.4)	(82.0)	(102.9)	(100.9)	(82.6)	(86.1)	(90.1)
Creditors		(52.3)	(44.4)	(86.4)	(80.9)	(101.4)	(100.6)	(82.6)	(86.1)	(90.1)
Short term borrowings		0.0	0.0	0.0	(1.1)	(1.5)	(0.3)	0.0	0.0	0.0
Long Term Liabilities		(176.2)	(156.7)	(285.3)	(251.4)	(320.5)	(315.5)	(345.5)	(344.5)	(343.5)
Long term borrowings		(128.0)	(111.6)	(216.5)	(204.3)	(259.2)	(211.5)	(238.9)	(238.9)	(238.9)
Other long term liabilities		(48.2)	(45.1)	(68.8)	(47.0)	(61.3)	(104.0)	(106.6)	(105.6)	(104.6)
Net Assets		306.1	308.3	373.6	364.5	433.8	416.3	467.5	490.7	506.0
CASH FLOW										
Operating Cash Flow		40.1	49.4	79.9	67.0	85.0	111.3	94.9	81.4	105.5
Net Interest		(4.6)	(6.2)	(7.0)	(7.6)	(9.1)	(15.0)	(12.7)	(12.0)	(11.5)
Tax		(6.3)	(8.9)	(12.7)	(15.1)	(12.3)	(14.2)	(8.2)	(9.5)	(11.0)
Capex		(10.2)	(10.9)	(15.3)	(12.6)	(12.0)	(10.7)	(10.8)	(18.3)	(15.8)
Acquisitions/disposals		(6.5)	6.8	(96.1)	(6.3)	(106.4)	(0.9)	(1.5)	0.0	0.0
Financing		(4.3)	(2.6)	16.7	(0.8)	47.2	(2.0)	(2.0)	(2.0)	(2.0)
Dividends		(10.9)	(14.6)	(15.6)	(19.5)	(22.4)	(23.6)	0.0	(6.4)	(21.6)
Net Cash Flow		(2.8)	13.0	(50.0)	5.1	(30.1)	44.9	59.7	33.2	43.5
Opening net debt/(cash)		78.7	88.7	81.6	175.6	162.9	208.8	162.8	118.8	91.2
Finance leases initiated		0.0	0.0	0.0	0.0	(2.0)	(0.3)	0.0	0.0	0.0
Other		(7.2)	(5.9)	(44.0)	7.6	(13.9)	1.4	(15.7)	(5.6)	(5.6)
Closing net debt/(cash)		88.7	81.6	175.6	162.9	208.8	162.8	118.8	91.2	53.3
Lease finance (under IFRS16)							60.0	60.8	60.8	60.8

Source: Company, Edison Investment Research

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